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TO: Darryl Latimer, Deputy Director  
Detroit Water & Sewerage Dept

FROM: Irvin Corley, Jr., Fiscal Analysis Director *ly.*

DATE: April 28, 2011

RE: 2011-2012 Budget Analysis (Water Department)

Attached is our budget analysis regarding the Water Department's budget for the upcoming 2011-2012 Fiscal Year.

We would then appreciate a written response to the issues/questions by **Tuesday, May 10, 2011**. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:ss

Attachment

cc: Councilmembers  
Council Divisions  
Auditor General's Office  
Tom Lijana, Finance Director  
Floyd Stanley, Budget Deputy Director  
Ron Chenault, Budget Department Team Leader  
Denise Gardner, Mayor's Office

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## Water Department (41)

### FY 2011-2012 Budget Analysis by the Fiscal Analysis Department

#### Summary

The Water Department is an Enterprise Fund agency. The Water Department is administratively part of the Detroit Water and Sewerage Department (DWSD) while maintained as a separate fund in the City of Detroit accounting system.

The Mayor's Proposed Budget for 2011-2012 includes appropriations and revenues, each totaling \$685,954,940 to the Water Department, leaving a net tax cost to the City of \$0. This amount represents an increase of \$310,466,293 (83%) over the \$375,488,647 adopted budget in 2010-2011. The \$310,466,293 increase is primarily due to anticipated sale of bonds for \$300,000,000 for fiscal year 2011-2012.

#### 2010-2011 Surplus/ (Deficit)

There is no projected surplus or deficit for the Water Department of the DWSD for fiscal year 2010-2011.

#### Overtime

The Mayor's Proposed Budget for 2011-2012 includes \$6,649,420 for overtime, which is an increase of \$458,351 (7%) from the 2010-2011 budgeted amount of \$6,191,069. As of March 31, 2011, the Water Department has expended \$4,720,135 for overtime and has \$1,471,934 (24%) of overtime remaining against their 2010-2011 budgets.

#### Personnel and Turnover Savings

There are no projected turnover savings for the Water Department in the Mayor's Proposed Budget for 2011-2012.

<u>Appropriation/Program</u>	<u>Redbook Positions FY 2010-11</u>	<u>Filled Positions 3/31/2011</u>	<u>Mayor's Budget Positions FY 2011-12</u>	<u>Over/(Under) Actual to 10/11 Budget</u>	<u>Mayor's Recommended Turnover</u>
<b>Water (41)</b>					
411010 Office of the Director	8	6	6	(2)	\$ -
411015 Process Networks and Scada Syste				0	\$ -
411020 Public Affairs Division		27		27	\$ -
411021 Office of the Assistant Director - Pu	23		25	(23)	\$ -
411080 Security	130	118	130	(12)	\$ -
411110 Information Systems Admin. Svcs.		43		43	\$ -
411200 Contracts & Grants	28	20	27	(8)	\$ -
411220 Commercial Operations				0	\$ -
411221 Commercial Operations	193	156	184	(37)	\$ -
411250 Meter Operations				0	\$ -
411251 Meter Operations	84	60	87	(24)	\$ -

411280 Systems Operations Control				0	\$	-
411290 Water Technical Services		4		4	\$	-
411300 Operations Services				0	\$	-
<b>00085 Administration</b>	<b>466</b>	<b>434</b>	<b>459</b>	<b>(32)</b>	<b>\$</b>	<b>-</b>
412010 Ofc. of the Asst. Dir. Of Fin. Svc. Grp.	2	2	2	0	\$	-
412020 Financial Administrative Services	8	4	8	(4)	\$	-
412080 General Accounting Admin. Svcs.	55	47	58	(8)	\$	-
412220 Purchasing	19	15	19	(4)	\$	-
412230 Material Management	63	46	63	(17)	\$	-
<b>00086 Financial Support Group</b>	<b>147</b>	<b>114</b>	<b>150</b>	<b>(33)</b>	<b>\$</b>	<b>-</b>
414010 Ofc. of Asst. Dir. Asset Maintenance	7		18	(7)	\$	-
414130 Mechanical Opns. Administration	237	203	236	(34)	\$	-
414200 Water Board Building	36	34	37	(2)	\$	-
414240 Maintenance and Repair	355	338	355	(17)	\$	-
414360 Central Service Facility	1		1	(1)	\$	-
<b>00087 Facilities Management</b>	<b>636</b>	<b>575</b>	<b>647</b>	<b>(61)</b>	<b>\$</b>	<b>-</b>
415010 Ofc. of Asst. Dir. of Water Opns.	6	2	6	(4)	\$	-
415020 Water Works Park	47	39	47	(8)	\$	-
415030 Springwells Plant	48	41	54	(7)	\$	-
415040 Northeast Plant	30	28	30	(2)	\$	-
415050 Southwest Plant	31	27	31	(4)	\$	-
415060 Lake Huron Plant	29	25	29	(4)	\$	-
415390 Water Quality	13	12	13	(1)	\$	-
<b>00088 Water Operations Group</b>	<b>204</b>	<b>174</b>	<b>210</b>	<b>(30)</b>	<b>\$</b>	<b>-</b>
413010 Ofc. of Asst. Dir. of Eng. Svcs.	1	1	1	0	\$	-
413020 Engineering Administrative Support	135	68	119	(67)	\$	-
<b>05817 Engineering Services-Water</b>	<b>136</b>	<b>69</b>	<b>120</b>	<b>(67)</b>	<b>\$</b>	<b>-</b>
411011 Asst Dir - Info Tech & Sys Integration	6		6	(6)	\$	-
411014 Geographic Information Systems	3		3	(3)	\$	-
411016 Process Networks and SCADA Sys	20	15	23	(5)	\$	-
411115 Information Systems Administrative	49		49	(49)	\$	-
411285 Systems Operations Control	34	23	34	(11)	\$	-
411295 Water Technical Services	7	4	7	(3)	\$	-
411305 Operational Services	9	9	9	0	\$	-
<b>12448 Info Tech &amp; Systems Integration &amp; O</b>	<b>128</b>	<b>51</b>	<b>131</b>	<b>(77)</b>	<b>\$</b>	<b>-</b>
41XXXX Leave of Absence		(22)		(22)	\$	-
41XXXX Worker's Comp		(22)		(22)	\$	-
41XXXX Unmatched Positions		<u>0</u>		<u>0</u>	<u>\$</u>	<u>-</u>
<b>TOTAL</b>	<b><u>1,717</u></b>	<b><u>1,373</u></b>	<b><u>1,717</u></b>	<b><u>(344)</u></b>	<b><u>\$</u></b>	<b><u>-</u></b>

### Proposed Layoffs and Position Changes

The Mayor's Proposed Budget for 2011-2012 includes full-time equivalent positions of 1,717, which are the same full-time equivalents in the 2010-2011 budget.

### **Water (41)**

Budgeted Professional and <u>Contractual Services by Activity</u>	FY 2010-11 <u>Budget</u>	FY 2011-12 <u>Recommended</u>	Increase <u>(Decrease)</u>
Administration Services	\$ 1,407,000	\$ 2,494,956	\$ 1,087,956
Public Affairs Group - Water	\$ 4,466,740	\$ 4,235,994	\$ (230,746)
IT & Systems Integration - Water	\$ 5,877,000	\$ 8,988,439	\$ 3,111,439
Financial Services	4,420,814	3,377,413	(1,043,401)
Asset Management	11,704,643	10,952,489	(752,154)
Plant Operations-Water	2,549,483	2,175,599	(373,884)
Engineering Services-Water	223,500	241,956	18,456
Water-Capital & Debt Service	-	-	-
<b>Total</b>	<b><u>\$ 30,649,180</u></b>	<b><u>\$ 32,466,846</u></b>	<b><u>\$ 1,817,666</u></b>

### Significant Funding Changes by Appropriation

<u>Apron.</u> 00085	<u>Program</u> Administration	<p>The Mayor's Proposed Budget for 2011-2012 includes \$17,446,169 for Administration. This amount is \$787,973 more than the 2010-2011 Budget of \$16,658,196.</p> <p>The increase is due to an increase of \$864,694 in Other Expenses, a \$1,087,956 increase in Professional and Contract Services, and an increase of \$656,378 in Operating Services, which is offset by a decrease of \$647,172 in Salaries &amp; Wages, Operating Supplies a decrease of \$1,157,441 in Employee Benefits and a \$16,442 decrease in Operating Supplies.</p>
00086	Financial Services Group	<p>The Mayor's Proposed Budget for 2011-2012 includes \$6,353,132 for the Financial Services Group. This amount is \$122,611 more than the 2010-2011 budget of \$6,230,521.</p> <p>This increase of \$122,611 is due to a \$401,636 increase in Salaries &amp; Wages, an increase of \$61,210 in Employee Benefits, and an increase of \$39,883 Operating Services, which is offset by a decrease of \$1,043,401 in Professional and Contract Services, a decrease of \$14,987 in Operating Supplies, a decrease of \$42 in Capital Outlays and a decrease of \$678,362 in Other Expenses.</p>
00087	Asset Maintenance	<p>The Mayor's Proposed Budget for 2011-2012 includes \$38,114,459 for the Asset Maintenance Group. This</p>

Group		amount is \$278,980 less than the 2010-2011 budget of \$38,393,439.
		This decrease is due to an \$897,672 decrease in Other Expenses, a \$752,154 decrease in Operating Services, a \$1,210,432 decrease in Operating Services, a \$7,233 decrease in Capital Outlays, a \$723 decrease in Capital Equipment, which is offset by an increase of \$811,488 Salaries & Wages, \$1,519,086 increase in Employee Benefits, and a \$258,660 increase in Operating Supplies.
00088	Water Operations Group	The Mayor's Proposed Budget for 2011-2012 includes \$59,787,312 for the Water Operations Group. This amount is \$2,217,104 less than the 2010-2011 budget of \$62,004,416.
		This decrease is due to a decrease of \$291,940 in Employee Benefits, a \$373,884 decrease in Professional and Contract Services, a decrease of \$2,947,222 in Operating Services, which is offset by an increase of \$147,049 in Salaries & Wages, a \$542,039 increase in Operating Supplies and an increase of \$706,854 in Other Expenses.
00164	Water Systems Improvement	The Mayor's Proposed Budget for 2011-2012 includes a total of \$56,244,400. This amount is \$15,895,200 more than the 2010-2011 budget of \$40,349,200.
		The increase is due to an increase in Miscellaneous Expense \$15,895,200 in the Miscellaneous Expenses.
00583	Water Extraordinary Repair and Replacement	The Mayor's Proposed Budget for 2011-2012 includes a total of \$534,100. This amount is \$528,100 less than the 2010-2011 budget of \$1,062,200.
		The decrease of \$528,100 is due to a decrease in miscellaneous expenses.
05733	Reserve Deposit	The Mayor's Proposed Budget for 2011-2012 includes a total of \$445,100. This amount is \$5,440,000 less than the 2010-2011 budget of \$5,885,100.
		The decrease of \$5,440,000 is due to a decrease of \$5,000,000 in Bad Debts Reserve and a decrease of \$440,000 in Miscellaneous Expenses.
12140	Water Bond	The Mayor's Proposed Budget for 2011-2012 includes

Fund Series 2007	\$300,000,000 in Water Bond Fund Series 2007 sales. This is an increase of \$300,000,000 in Miscellaneous Expenses for fiscal year 2010-2011 of the Water Bond Fund Series 2007.
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Significant Revenue Changes

00087	Asset Maintenance Group	The Mayor's Proposed Budget for 2011-2012 includes revenue of \$0 for the Asset Maintenance Group. This is a decrease of \$402,643 from the 2010-2011 budget of \$402,643.
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This decrease of \$402,643 is due to a decrease in Other Reimbursements.

00163	Debt Service and Maintenance	The Mayor's Proposed Budget for 2011-2012 includes revenue of \$5,080,700 for Debt Service and Maintenance. This is an increase of \$1,055,000 more than the 2010-2011 budget of \$4,025,700.
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This difference of \$1,055,000 is due to an increase in Earnings on Investments.

00164	Water System Improvements	The Mayor's Proposed Budget for 2011-2012 includes revenue of \$246,500 for Water System Improvements. This is a decrease of \$556,400 from the 2010-2011 Budget of \$802,900.
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This decrease of \$556,400 is due to a decrease in the Earnings on Investment.

12140	Water Bond Fund Series 2007	The Mayor's Proposed Budget for 2011-2012 includes revenue of \$304,139,500 from the Series 2007 Bonds, which is an increase of \$298,801,400 from the 2010-2011 budget of \$5,338,100.
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This increase is due to an increase of \$300,000,000 in bond sales offset by a decrease of \$1,198,600 in Earnings on Investment.

04826	Water Receiving	The Mayor's Proposed Budget for 2011-2012 includes revenue of \$375,223,440 from Water Receiving. This is an increase of \$11,566,986 from the 2010-2011 budget of \$363,656,454.
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This increase is primarily due to an increase of \$12,055,729 in Other Fees, an increase of 750,000 in Water Sales-Retail and an decrease of \$381,811 in

Miscellaneous Receipts and \$856,382 in Water Sales-Retail.

### Changes in Goals and Major Initiatives

For fiscal year 2011-12, the Public Affairs Division of the Water Department plans to do the following:

- Go-Live with an enhanced “Interactive Voice Response” Unit (IVR).
- Begin implementation of Storm Water Drainage Management Module with billing to commence in 1<sup>st</sup> quarter 2012.
- Begin migration of customer name on accounts in place of resident.
- Implement an enhanced Debt Collection Solution.

### Issues and Questions

1. How do you think the newly reconstituted Board of Water Commissioners will improve the operations of the Water Department?
2. Has the upgraded Customer Billing and System Management system to implement online bill payment increased your collection rate?
3. Under Appropriation 00085- Administration, why is there an increase of \$1,087,956 in Professional and Contract Services?
4. How many residents have not received the new water meters and how much revenue is being generated from the \$30 non-compliance fee?